



FINANCIAL INSTITUTIONS TODAY

News and topics of interest to financial institutions regulated by the Department of Banking and Finance

August 2018

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Legal Lending Limit: Combination of Debt

Questions have been recently posed to the Department related to the interpretation of Rule 80-1-5-.11, which deals with the combination of debt for legal lending limit (LLL) purposes. While the Rule details multiple debt combination requirements, the two most common instances for combining loans occur when a) control or ownership is 25% or more and b) when guarantees are present, to the extent of the guaranteed amount. In addition, it is important to note that pursuant to O.C.G.A. § 7-1-285(a.1) and (b), obligations are calculated **at the time the bank issues the binding commitment**. The following three examples described below clarify the Department's interpretation:

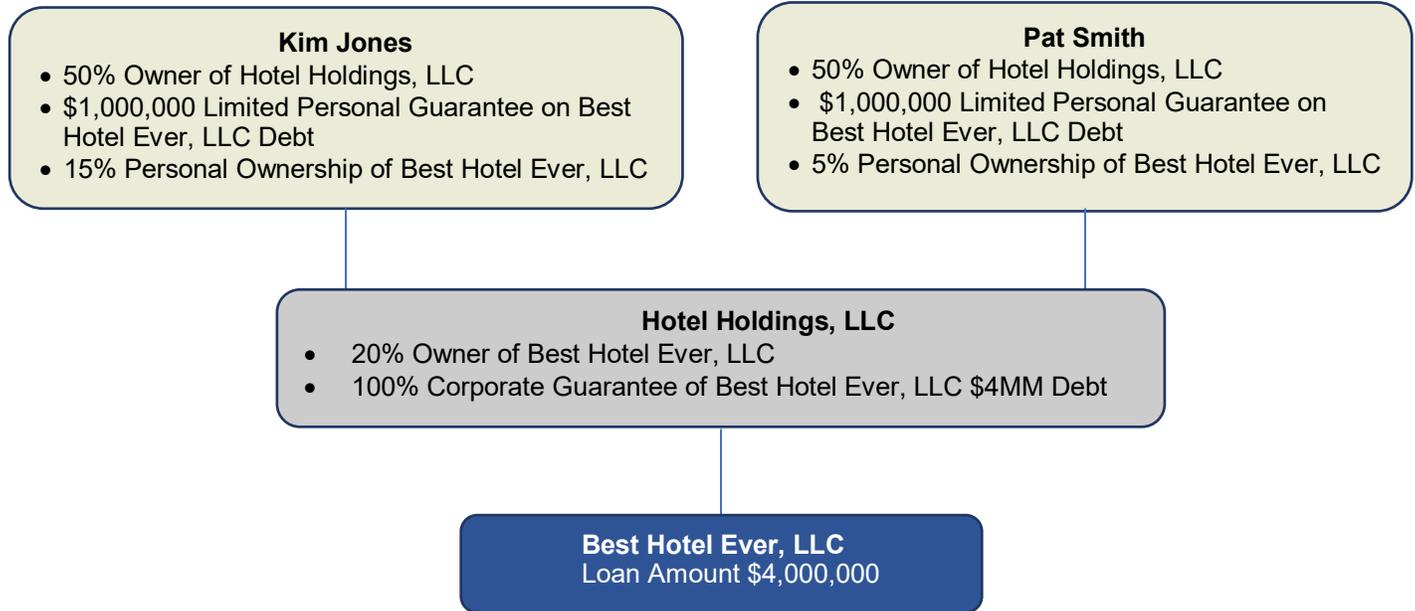
Ownership Combinations

The following example details debt combinations based on control and ownership for multiple debts of individuals. The debts of *any entity* where there is 25% or more control or ownership will be aggregated as debt for the individual legal lending limit.

	Jack Smith	Frank Hall	Susan Williams
Company Alpha	50%	50%	0%
Beta Products, LLC	25%	25%	25%
C Company, Inc.	20%	30%	50%
Doing Good, LLC, a not-for-profit (Smith, Hall, and Williams serve as the only three directors, so they "control" 33% of the non-profit)	33%	33%	33%
Debts included in the Secured LLL	Company Alpha, Beta Products, and Doing Good	All companies included	Beta Products, C Company, and Doing Good

Ownership and Guarantee Combinations

As set forth in the example on the following page, ownership and guarantee combinations for multi-layer limited LLC can be a much more complex calculation. For combination purposes, ownership interests will flow through corporate entities to the individual proportional ownership of corporate obligations. Guarantee commitments extend only to the specific individuals or entities to the extent of the guaranteed amount. In the example, ownership of 25% or more and the amount of the guarantee will be included to determine the legal lending limit for the natural person or legal entity. The full amount of the loan will be considered on day one, corresponding to credit exposure at the time of binding commitment.



	Kim Jones	Pat Smith	Hotel Holdings, LLC
Guarantee Amount	\$1,000,000	\$1,000,000	\$4,000,000
Personal Ownership	15%	5%	N/A
Corporate Ownership	10% (personal ownership 50% of Hotel Holdings, LLC who holds 20% ownership of Best Hotel Ever, LLC / 50% x 20% = 10%)	10% (personal ownership 50% of Hotel Holdings, LLC who holds 20% ownership of Best Hotel Ever, LLC / 50% x 20% = 10%)	20%
Debt required to be aggregated with any other existing bank obligations and legal reason	\$4,000,000 Ownership of 25% (personal ownership of 15% plus corporate ownership of 10%)	\$1,000,000 Personal guarantee amount applies. Total ownership of 15% is less than 25% LLL threshold.	\$4,000,000 Full Corporate Guarantee

Credit Participation Programs

The Department has also reviewed the question of loan combinations in certain credit participation programs. Generally, when the credit originator provides credit enhancements or creates a contingent liability commitment that demonstrates an ongoing financial obligation, the credits should be aggregated as debt to the credit originator. Credit enhancements and ongoing financial commitments include, but are not limited to, interest rates discounted from the original note; access to an established reserve account from the third-party for past due payments; collateral substitution options; pooling of payments; the third-party having sole authority to negotiate changes to a repayment schedule, refinance, or collection proceedings; and the third-party performing all origination, servicing, and ongoing credit administration. Further, many of these credit participation programs consist of loans that are underwritten based on a cash flow analysis since the bank may not be assured of a first lien position, loan proceeds are used for leasehold improvements, or the collateral may not qualify as good collateral or other ample security per O.C.G.A. § 7-1-285(b). Such underwriting would result in these loans being limited to the unsecured legal lending limit of the acquiring bank.

The Department welcomes all questions regarding interpretations of the legal lending limit. Please contact your Supervisory Manager or Deputy Commissioner for Supervision Melissa Sneed at 770-986-1646 or msneed@dbf.state.ga.us.

Action on Applications for the Month

The following is a summary of official action taken by the Department on applications by Georgia state-chartered financial institutions under Title 7, Chapter 1 of the O.C.G.A. and petitions for certificate of incorporation of financial institutions and other matters of interest during the month of August 2018:

APPLICATIONS FOR DISSOLUTION

<u>FINANCIAL INSTITUTION</u>	<u>APPROVAL DATE</u>	<u>EFFECTIVE DATE</u>
Georgia Heritage Bank Dallas, GA 30132	08-06-2018	
Southern Bank Sardis, GA 30456-0100	Pending	

APPLICATIONS TO ESTABLISH A BRANCH OFFICE

<u>FINANCIAL INSTITUTION</u>	<u>BRANCH OFFICE</u>	<u>APPROVAL DATE</u>	<u>BEGIN BUSINESS DATE</u>
Delta Community Credit Union Atlanta	Jonesboro Road 210 Jonesboro Road McDonough, GA 30253 Henry County	08-22-2018	
Delta Community Credit Union Atlanta	Coweta Crossroads 90 Glenda Trace Newnan, GA 30265 Coweta County	12-19-2017	08-09-2018
Georgia's Own Credit Union Atlanta	Main Office 100 Peachtree Street Atlanta, GA 30303 Fulton County	09-23-2016	08-10-2018
SunTrust Bank Atlanta	Ruskin 5090 N. US Highway 41 Apollo Beach, FL 33572 Hillsborough County	Pending	
SunTrust Bank Atlanta	Arbutus Plaza 1064 Maiden Choice Lane Baltimore, MD 21229 Baltimore County	Pending	
SunTrust Bank Atlanta	Rockville Town Square 100 Gibbs Street, Unit A Rockville, MD 20850 Montgomery County	Pending	
SunTrust Bank Atlanta	Sunrise 3499 N University Drive Sunrise, FL 33351 Broward County	Pending	
United Community Bank Blairsville	Spartanburg 439 E. Main Street Spartanburg, SC 29302 Spartanburg County	08-28-2018	

First Bank Dalton	South Thornton 905 South Thornton Avenue Dalton, GA 30720 Whitfield County	08-29-2018	
Colony Bank Fitzgerald	Albany 113 North Westover Boulevard Albany, GA 31707 Dougherty County	08-22-2018	
Colony Bank Fitzgerald	Statesboro 104 Springhill Drive Statesboro, GA 30458 Bulloch County	08-29-2018	
SunMark Community Bank Hawkinsville	Byron 202 W White Road Byron, GA 31008 Peach County	08-22-2018	
The Brand Banking Company Lawrenceville	Alpharetta 3960 Old Milton Parkway Alpharetta, GA 30005 Fulton County	06-25-2018	08-15-2018
The Brand Banking Company Lawrenceville	Buckhead 3328 Peachtree Road NE Atlanta, GA 30326 Fulton County	06-25-2018	08-15-2018
The Brand Banking Company Lawrenceville	Dacula 485 Fence Road Dacula, GA 30019 Gwinnett County	04-24-2018	08-31-2018
The Brand Banking Company Lawrenceville	Kennesaw 3415 George Busbee Parkway NW Kennesaw, GA 30144 Cobb County	06-25-2018	08-15-2018
Southwest Georgia Bank Moultrie	Tifton 205 East 8th Street Tifton, GA 31794 Tift County	01-19-2017	08-13-2018

APPLICATIONS TO CHANGE LOCATION

<u>FINANCIAL INSTITUTION</u>	<u>CHANGE LOCATION OF</u>	<u>APPROVAL DATE</u>	<u>EFFECTIVE DATE</u>
SunTrust Bank Atlanta	From: Sandy Springs 5898 Roswell Road NE Atlanta, GA 30328 Fulton County To: 6240 Roswell Road Atlanta, GA 30328 Fulton County	04-30-2018	08-17-2018
SunTrust Bank Atlanta	From: Scenic Promenade 1905 Scenic Highway Snellville, GA 30078 Gwinnett County To: 1689 Scenic Highway North Snellville, GA 30078 Gwinnett County	03-05-2018	08-24-2018

Pinnacle Bank Elberton	From: Franklin Springs 2311 West Main Street Franklin Springs, GA 30639 Franklin County	08-27-2018
	To: 25 Westclock Circle Franklin Springs, GA 30639 Franklin County	
LGE Community Credit Union Marietta	From: Woodstock 12186 Highway 92, #11-B Woodstock, Georgia 30188 Cherokee County	08-31-2018
	To: 12900 Highway 92 Woodstock, Georgia 30188 Cherokee County	

FINANCIAL INSTITUTION MERGERS

<u>SURVIVOR</u>	<u>MERGED INSTITUTION</u>	<u>APPROVAL DATE</u>	<u>EFFECTIVE DATE</u>
Cadence Bank, N.A. Birmingham, AL	State Bank and Trust Company Macon, GA	08-23-2018	
National Bank of Commerce Birmingham, AL	First Landmark Bank Marietta, GA	06-26-2018	08-01-2018
Bank of Early Blakely, GA	One South Bank Chipley, FL	Pending	
Synovus Bank Columbus, GA	Florida Community Bank, National Association Weston, FL	Pending	
Family First Credit Union Hapeville, GA	Atlanta Federal Credit Union Atlanta, GA	08-29-2018	
LGE Community Credit Union Marietta, GA	Georgia Heritage Bank Dallas, GA	08-06-2018	
FNB Bank Scottsboro, AL	Capital Bank Fort Oglethorpe, GA	Pending	
North Georgia Credit Union Toccoa, GA	Rabun-Tallulah Federal Credit Union Tiger, GA	08-13-2018	

APPLICATIONS TO ACQUIRE VOTING STOCK OF A FINANCIAL INSTITUTION

<u>BANK HOLDING COMPANY</u>	<u>TO ACQUIRE</u>	<u>APPROVAL DATE</u>
Synovus Financial Corp. Columbus, GA	FCB Financial Holdings, Inc. Weston, FL	Pending

DBF Outreach and Upcoming Speaking Engagements

GBA Compliance Conference – Deputy Commissioner for Supervision Melissa Sneed will be speaking at the Georgia Bankers Association’s Compliance Conference, held on September 12-14 at Crowne Plaza Atlanta SW-Peachtree City, Peachtree City, Georgia.

GBA De Novo Bank Accelerator Webinar Series – Deputy Commissioner for Supervision Melissa Sneed will be presenting in the Georgia Bankers Association’s De Novo Bank Accelerator Webinar Series on October 31 under the topic *Regulatory Views on De Novo Banks*.

The Department is the state agency that regulates and examines Georgia state-chartered banks, state-chartered credit unions, state-chartered trust companies, and bank holding companies that own Georgia state-chartered financial institutions. The Department also has responsibility for the supervision, regulation, and examination of Merchant Acquirer Limited Purpose Banks chartered in Georgia.

In addition, the Department has regulatory and/or licensing authority over mortgage brokers, lenders and processors, mortgage loan originators, check cashers, sellers-issuers of payment instruments, money transmitters, and international banking organizations.

Our **Mission** is to promote safe, sound, competitive financial services in Georgia through innovative, responsive regulation and supervision.

Our **Vision** is to be a willing and able partner with our regulated entities in order to support vibrant economic growth and prosperity in Georgia.

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